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SUBJECT: GOSS EXPLORING OPTIONS FOR MAJOR WORKFORCE REDUCTION

REF: KHARTOUM 2001

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Summary  
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¶1. (SBU) The Government of South Sudan (GoSS) has engaged an international consulting firm to explore options for downsizing its bloated and unproductive workforce. The GoSS payroll is estimated to be overstaffed by over 30% (67,000 individuals) and salaries consume over half of the GoSS budget. The consulting firm estimates that the cost of downsizing will be more than \$100 million over the first two years of what will likely be a multi-year process. End summary.

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Overstaffed and Unproductive  
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¶2. (U) GoSS officials are keenly aware that the government workforce is oversized and that salaries are gobbling up scarce revenues otherwise needed to deliver services and fund investment. In delivering the Council of Ministers' draft 2008 budget to the Legislative Assembly on December 10 (Reftel), Finance Minister Mawein listed excessive and unproductive government manpower as one of five major obstacles to economic development. Other contacts have previously noted that salaries account for around half of GoSS expenditures, seriously constraining its ability to invest in urgent development projects.

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Social Employment  
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¶3. (U) GoSS over-staffing partly results from a conscious Sudan Peoples Liberation Movement policy of "social employment." The GoSS has provided "make-work" jobs to SPLA civil war veterans or to their dependents. In the immediate aftermath of the war, this policy both provided incomes for deserving war veterans and a means of keeping an armed and potentially volatile part of the population quiet. Over time, however, failure to move these excess workers into other, productive work has proved a serious drag on governance and economic recovery. The practice also has been an invitation to nepotism and fraud.

¶4. (SBU) The GoSS has engaged international consulting firm Adam Smith International (ASI) to assist it in devising a downsizing strategy. On December 7, ASI, the Ministry of Finance and Planning, and the Ministry of Labor briefed the Juba donor community on the extent of the problem and initial ideas for a possible way forward.

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Extent of the Problem  
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15. (SBU) According to ASI's estimates, south Sudan's governments (including those of the ten constituent states) are over 50% overstaffed - about 67,000 positions. The highest absolute numbers are at the state level, which employs approximately 150,000; 50% above their "target" staffing set in 2004. (ASI admits that these numbers are approximate and the actual number of people drawing state salaries may well be higher.) As a percentage, however, the civilian agencies of the GoSS itself are most overstaffed. The GoSS employs 6673 more than its "target" figure of 7500, or almost double. In addition, the "organized forces" (SPLA, police, prison guards) are about 10,000 above their target strength of 33,000. According to the GoSS Finance Ministry, the salary bill of the SPLA rose in 2007 as it absorbed personnel from other armed groups in the South.

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A Way Ahead  
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16. (SBU) ASI envisions a multi-year program to trim the GoSS payroll starting in 2008. The first half of the year would involve drafting specific plans, securing political commitment and funding, and putting in place mechanisms to implement reductions. The program would be launched in the second half of 2008, with an initial reduction target of 2500 workers. It would continue in 2009 with a further reduction of 15,000. Mechanisms to reduce work rolls would include retirements, buyouts, and compulsory layoffs. A key element in planning will be devising a safety net to offer an alternative to the current "social employment" model. In briefing the donor community on December 7, Finance Minister Mawein said that the GoSS does not want to discharge redundant employees without first establishing alternative employment/incomes for them.

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Price Tag  
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17. (SBU) Shrinking the South's government work force will be an expensive exercise. ASI estimates the cost for each worker downsized will be U.S. \$6,700. Thus, for the 2500 personnel to be discharged, and adding \$6.5 million in startup costs and incidentals, the 2008 bill will total \$23 million. The cost for 2009, with 15,000 to be discharged and \$1.5 million in incidental costs, is estimated at \$97 million. Based on experience in other countries, ASI estimates that the GoSS should begin to realize savings in two to six years.

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Next Steps  
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18. (SBU) The GoSS already is taking steps to reduce fraud through a payroll-cleanup initiative that entails screening the rolls, correcting pay grades, and issuing ID cards to bona fide government employees. ASI is to return to Juba in January to present its detailed proposal to the GoSS. Once the specifics are available, the lead Ministries of Finance and Labor must secure GoSS-wide and state level buy-in. Finally, the GoSS needs to identify funding sources to get the program going.

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Comment  
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19. (SBU) Reducing its bloated workforce presents an intractable challenge for both the GoSS and international donors. The process will be very costly and carries significant political risks for the SPLM. Discharging war veterans and widows during the year and a half leading up to the 2009 election may be the right thing to do in terms of good governance, but certainly will not be popular. For this reason, the GoSS may choose to proceed cautiously in the first year and delay the bulk of the lay-offs until after the election - especially since the fiscal benefits will be tangible only in the

long term. The coming months will demonstrate whether the political will and financial resources can be summoned for what promises to be a lengthy, expensive, and painful process.

POWERS